

WTO PUBLIC FORUM 2012

“Is Multilateralism in Crisis?”

24-26 September 2012

Comments on the two papers on food security from WTO's personnel

Jacques Berthelot (jacques.berthelot4@wanadoo.fr), www.solidarite.asso.fr

August 18, 2012

Two papers were written by counsellors of the WTO Agriculture and commodities division: "*Food Security and Multilateralism*", by Lee Ann Jackson and Ulla Kask, and "*How can Trade Contribute to Food Security?*" by Maria Perez-Esteve together with Clemens Boonekamp, former Director of the Division.

The two papers present the traditional arguments on the benefits of trade to ensure food security for the whole world: "*Undistorted trade enhances food security*" with "*the potential to stabilize food prices*"; "*restricting exports distorts prices*" with "*negative food security impacts*"; "*the WTO provides... a rules based trading system*", while in the AoA and the Draft modalities on agriculture of the Doha Round "*policy space was retained... for developing countries*" and "*minimal trade distortive support remained available (the Green Box)*". For these authors all barriers to agricultural trade are "distortions" so that "undistorted trade" means "free trade", conform the AoA preamble whose "*long-term objective is to provide for substantial progressive reductions in agricultural support and protection... preventing restrictions and distortions... in market access; domestic support; export competition*".

Yet free trade never existed and cannot exist in agriculture because agricultural markets cannot self-regulate given the significant inelasticity of consumption and production to price changes. For Vandana Shiva "*Free trade is not anti-protectionism. It is the protectionism of the mighty*", of the developed countries which devised the AoA rules exempting most domestic subsidies from reductions despite their double effect of dumping and import substitution. Yet import protection is the only support affordable to poor countries, unable to subsidize their farmers significantly, the more so as they account generally for the majority of the population.

One of the best criticisms of free trade and deregulation in agriculture came from the WTO Director-General himself, Pascal Lamy, when he was the EU trade Commissioner (1999-2004)¹, so that the best way to get out of the Doha Round stalemate is to follow his past recommendations, implying to rebuild the AoA on food sovereignty.

Let us quote extensively his speech of 20 January 2000 to the French National Assembly on "The future of the CAP and European agricultural trade policy": "*Agriculture is... regulated naturally by alternating cycles of over- and under-production... These cycles involve often quite major fluctuations in prices. This volatility has immediate consequences for market stability and farmers' incomes. Collective regulation is therefore called for. The production-based approach has significant adverse impacts which society is increasingly unwilling to accept. The most obvious is the damage to the environment caused by intensive livestock and arable farming, but I am also thinking of the profound effects on employment leading to rural depopulation... In other words, public goods and social objectives can be directly jeopardised by certain by-products of agriculture if it is left unregulated and based solely on competition. This, to my mind, is why we need a form of public control specifically for agriculture. I would stress in*

¹ J. Berthelot, *Anthology of Pascal Lamy's statements on agricultural protectionism*, Solidarité, December 19, 2009, <http://www.solidarite.asso.fr/Papers-2009>

passing that this need to regulate agricultural markets, while it is something we are particularly aware of in Europe, actually pertains to varying degrees all over the world... We have a number of instruments for regulating agriculture in this way. They have been used to varying degrees at different times as European agricultural policy has tried to affect supply. They are, briefly:

- external protection: this has underpinned the CAP from the start. It allows domestic production to flourish, sheltered from direct global competition, and, of course, channels revenue directly to the Community budget;

- price support: this has guaranteed European farmers a high level of income and consequently brought the shrinking of the active farming population under control. It has thus played a vital social role. There are seven million farmers in Europe today - how many would there be without these mechanisms? What is more, when used intensively to boost production after the war, price support enabled us to cater for the considerable needs of a whole continent in the throes of reconstruction and population growth. It helped Europe become self-sufficient for the first time since the end of the 19th century;

- supply controls: these are ways of regulating the surpluses that have arisen in several sectors since production exceeded self-sufficiency levels. Production quotas or restrictions on production capacity are imposed to mitigate directly the falls in price, and hence incomes, resulting from over-supply"².

On the eve of the WTO Cancun Ministerial, the 8 September 2003, Pascal Lamy co-signed the article "*Cancun: agriculture and liberalism*" with Franz Fischler, the EU Commissioner for agriculture: "*Us, Europeans, we refuse to submit fully agriculture to the law of comparative advantages, that of the pure liberalism. Agriculture is not coal, and our farmers will not be the miners of the 21st century, doomed inexorably to disappear given their supposed economic inefficiency... Maintaining border protections, for those who want it, is not only legitimate but also necessary... Together with the low income countries, we share the concern of not opening agriculture to the large winds of liberalism... The trade balance of low income countries has a trade deficit of 2 billion euros in bovine meat, ovine meat, sugar and cereals. The wealthiest countries of the Cairns Group are net exporters of these food products with a surplus of 17 billion euros. Who could be convinced that a total liberalization will benefit the poorest countries?"³.*

Pascal Lamy's speech of 19 June 2003 at the General assembly of the Confederation of the EU Food and Drink Industries (CIAA) in Brussels shows the best the different facets of the EU actual protectionism, particularly from subsidies, not for the sake of the EU farmers but to accommodate the demands of the EU agro-industries. We will limit to his last argument: "*There is a fourth solution, which is simply to obtain supplies on the internal market at competitive prices... Thanks to a series of CAP reforms, internal prices have become highly competitive, especially for primary products such as wheat. And the performance of the processing industry bears witness to this"*⁴. This summarizes the CAP reforms since 1992: reducing by steps the guaranteed farm prices and compensating them by direct payments that the EU and US exempted from reduction in devising the AoA, the last on-going reform since 2003 claiming to have transferred most direct payments and previous market interventions to the "green box" although this is not true⁵.

² http://ec.europa.eu/archives/commission_1999_2004/lamy/speeches_articles/spla10_en.htm

³ Pascal Lamy, http://ec.europa.eu/archives/commission_1999_2004/lamy/speeches_articles/spla186_fr.htm

⁴ http://trade.ec.europa.eu/doclib/docs/2004/july/tradoc_113875.pdf

⁵ J. Berthelot, *The CAP subsidies are incompatible with the WTO Agreement on agriculture*, Solidarité, 31 March 2010, <http://www.solidarite.asso.fr/IMG/pdf/CAP-subsidies-incompatible-with-the-WTO-AoA.pdf>